

**Commissioner Kenneth W. Anderson, Jr.
Public Utility Commission of Texas**

THE COMMISSION'S RESOURCE ADEQUACY PRIORITIES

- **The Commission established a prioritized list of resource adequacy initiatives at the Dec. 8, 2011 and Dec. 15, 2011 open meetings and**
 - Directed ERCOT to act on those issues over which it has control, and
 - Directed Staff to act on those issues over which the Commission retains control (i.e. rulemakings)
- **Staff initiated rulemakings.**
- **ERCOT initiated a number of different responsive proceedings and has filed an update of its progress in PUC Project No. 37897 before most of the open meeting since Dec. 15, 2011.**
 - The following 7 slides are ERCOT's most recent filing
 - I have ERCOT's permission to use their deck for purposes of this presentation



RESOURCE ADEQUACY STATUS REPORT

MARCH 22, 2012 PUCT OPEN MEETING

RESOURCE ADEQUACY ACTIONS – CATEGORY 1

Item	Complete	In Progress	Future	Notes
Online Non-Spin standing deployment & offer floor	X			<ul style="list-style-type: none"> • NPRRs 426 /428 • ERCOT Board approved 12/13/11 • Implementation completed 1/5/12
Offline Non-Spin offer floor	X			<ul style="list-style-type: none"> • NPRR 428 • ERCOT Board approved 12/13/11 • Implementation completed 1/5/12
Responsive Reserve & Regulation Up offer floor	X			<ul style="list-style-type: none"> • NPRR 427 • ERCOT Board approved 12/13/11 • Implementation completed 1/5/12
Institutionalize the process to recall units for capacity	X			<ul style="list-style-type: none"> • NPRR 432 endorsed 2/2/12 at TAC (Vote: 25-5) • NPRR 432 approved 2/21/12 by ERCOT Board with effective date 3/1/12

RESOURCE ADEQUACY ACTIONS – CATEGORY 2

Item	Complete	In Progress	Future	Notes
Expansion of Responsive Reserve with a corresponding reduction in Non-Spin		X		<ul style="list-style-type: none"> Revised Ancillary Service Methodology and NPRR 434 approved 2/21/12 by ERCOT Board AS Methodology change to be implemented 4/1/12 NPRR 434 targeted to be implemented by 6/1/12
The proper price for RUC units deployed for capacity	X			<ul style="list-style-type: none"> NPRR 435 approved 2/21/12 by ERCOT Board (Vote: 10-5-0) with effective date 3/1/12 Implementation completed 3/1/12
The proper magnitude and slope of the Power Balance Penalty Curve		X		<ul style="list-style-type: none"> Continued Commission discussion on agenda at 3/22/12 Open Meeting

RESOURCE ADEQUACY ACTIONS – CATEGORY 3

Item	Complete	In Progress	Future	Notes
Review raising the System Wide Offer Cap		X		<ul style="list-style-type: none"> Continued Commission discussion on agenda at 3/22/12 Open Meeting
Low Sustainable Limit problem for units RUC'ed online for capacity		X		<ul style="list-style-type: none"> NPRR 444 posted on 2/22/12 NPRR 444 granted urgent status at PRS on 2/23/12 Discussed at WMS on 3/7/12 Further discussion planned at 3/23/12 Resource Cost WG
Compensation for Reliability Unit Commitments made to provide local reliability and transmission relief and address the issue of whether and how RUC claw-back should be adjusted		X		<ul style="list-style-type: none"> NPRR 416 was tabled at PRS because of potential dependency on NPRR 435 (RUC Offers) No action at 2/23/12 PRS Discussed at QSE Manager WG on 3/2/12 and WMS on 3/7/12 Possible discussion at 3/22/12 PRS
Review Peaker Net Margin Cap		X		<ul style="list-style-type: none"> Continued Commission discussion on agenda at 3/22/12 Open Meeting

RESOURCE ADEQUACY – POTENTIAL FOR SUMMER 2012

Item	Complete	In Progress	Approximate MW Range	Notes
Mothballed Units which could return to service		X	0 – 2,600	<ul style="list-style-type: none"> • 1 month – 150 MW • 2 months – 225 MW • 3 months – 75 MW • 4 months – 1550 MW • 6 months – 100 MW • 6.5 months – 500 MW
Proposed EILS Rule Change		X	130 – 200	<ul style="list-style-type: none"> • PUC Project No. 39948: Commission Staff preparing proposal for adoption • ERCOT Staff exploring options for 30-minute Emergency Response Service pilot • Tight timeline to implement changes for June to September 2012 contract period
Distribution Load Aggregation		X	TBD	<ul style="list-style-type: none"> • More accurate estimate for summer 2012 based on data from potential provider(s)
Transmission and Distribution Utility Load Management Programs		X	177 - 229	<ul style="list-style-type: none"> • 112 MW already under Load Management in 2011 • Total up to 341 MW in 2012 with increased Load Management • Most MWs have a max of 4 deployments per summer, and a max event duration of 4 hours • Discussions among Commission Staff, TDUs, and ERCOT underway regarding coordination of program deployments
Posting non-binding near real-time forward prices		X		<ul style="list-style-type: none"> • ERCOT Board approval 12/13/11 • Implementation planned for June 2012

- **Shared Challenges and Ideas**
 - Generation
 - Presented white paper on water conservation measures
 - Ideas to optimize usage of existing water supply
 - Transmission
 - Equipment contamination/flashovers & mitigation
 - Emergency coordination
 - Wildfire risk and the electrical grid
- **More than 200 participants including state and federal government staff, market participants, ERCOT staff and other stakeholders**

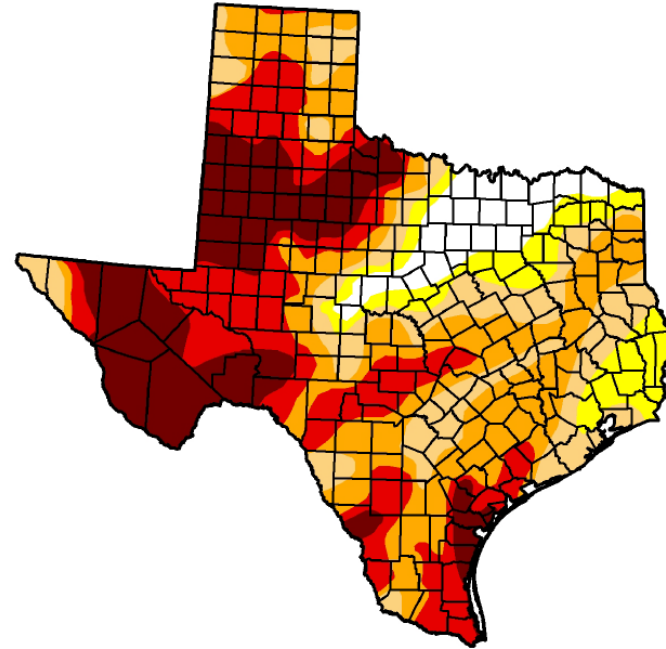
TEXAS DROUGHT CONDITIONS – MAR 13, 2012

U.S. Drought Monitor Texas

March 13, 2012
Valid 7 a.m. EST

	Drought Conditions (Percent Area)					
	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	6.98	93.02	84.50	67.10	41.62	20.54
Last Week (03/06/2012 map)	6.05	93.95	86.56	70.98	41.98	20.64
3 Months Ago (12/13/2011 map)	0.00	100.00	99.83	90.20	76.41	41.29
Start of Calendar Year (12/27/2011 map)	0.01	99.99	97.83	84.81	67.32	32.36
Start of Water Year (09/27/2011 map)	0.00	100.00	100.00	99.16	96.65	85.75
One Year Ago (03/08/2011 map)	8.31	91.69	77.99	53.64	14.16	0.00

Intensity:



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://droughtmonitor.unl.edu>



Released Thursday, March 15, 2012
Michael Brewer, National Climatic Data Center, NOAA

- **Project No. 37897 – Resource Adequacy**
 - Omnibus resource adequacy project under which the Commission discusses resource adequacy issues and directs ERCOT and/or Staff to take specific actions, including opening rulemaking projects, as needed.
- **Project No. 39674 – Energy Efficiency (proposed rule expected in March).**
 - May allow load programs to be dispatched during system emergencies
- **Project No. 39797 – Distributed Generation (adopted rule expected in late April)**
 - Allows potential waste gas to produce electricity for the grid.
- **Project No. 39917 – Energy Storage (rule adopted in March)**
 - Will decrease barriers to entry for energy storage
- **Project No. 39948 – Emergency Interruptible Load Service renamed Emergency Response Service (adopted rule expected late March)**
 - Adds Distributed Generation as a resource eligible to participate

NEXT STEPS?

- **The System-Wide Offer Cap (SWOC) will have to go significantly higher.**
 - Issues are when, and by how much?
 - Adoption of new rules late summer
 - Some generators actually oppose higher price caps because of the risk it creates if they have sold forward and can't perform
- **Address issues related to the cap on the Power Balance Penalty Curve (PBPC)**
- **Modification of the Peaker Net Margin mechanism (PNM)**
 - Change the amount of the trigger for the PNM and adjust it periodically based on the cost of new entry with the trigger only being pulled if it is hit over multiple periods
 - Raise the Low SWOC (LCAP)
 - Consider replacing the PNM with another mechanism

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